

IN THE CHANCERY COURT FOR LEWIS COUNTY  
AT HOHENWALD, TENNESSEE

IN RE:

SENTINEL TRUST COMPANY

)  
)  
) No. 4781  
)  
)

---

**COMMISSIONER-IN-POSSESSION'S PETITION FOR APPROVAL OF  
PAYMENT TO BONDHOLDER**

---

The Commissioner of the Tennessee Department of Financial Institutions, as Commissioner-in-possession of Sentinel Trust Company ("Sentinel"), by and through his counsel of record, the Attorney General and Reporter, hereby petitions this Court for approval of payment of the July 1, 2004 interest and/or principal payment to bondholders of two corporate bond issues.

1. Sentinel Trust Company ("Sentinel") is a Tennessee corporation, located in Hohenwald, Lewis County, Tennessee, engaged in fiduciary activities and subject to regulation by the Commissioner under the Tennessee Banking Act pursuant to Tenn. Code Ann. § 45-1-124.

2. On May 18, 2004, the Commissioner of the Tennessee Department of Financial Institutions ("Commissioner") took emergency possession of Sentinel pursuant to Tenn. Code Ann. §§ 45-2-1502(b)(2) and (c)(1). Subsequently, on June 18, 2004, the Commissioner issued a Notice of Liquidation of Sentinel Trust Company in accordance with the provisions of Tenn. Code Ann. §§ 45-2-1502(c)(2) and 1504.

3. Tenn. Code Ann. § 45-2-1504(a)(3) provides that

[i]n liquidating a state bank, the commissioner may exercise any power of the office of commissioner, but shall not, without the approval of the court, in which notice of possession has been filed; . . . [m]ake any payment on any claim, other than a claim upon an obligation incurred by the commissioner, before preparing and filing a schedule of the commissioner's determinations in accordance with this chapter.

4. Sentinel Trust serves as the indenture trustee for Bond # 214 issued by Lowndes County, Alabama. This bond issue has an interest payment of \$100,343.75 due July 1, 2004. Sentinel's records reflect that while some funds may still be due from this issuer, it should have had additional funds on deposit with Sentinel so as to be able to make this July 1 interest payment in full. These funds are not available, however, due to the \$7.6 - \$8.4 million shortfall in the pooled fiduciary account resulting from Sentinel's practice of "borrowing" from that account. The Commissioner and/or his staff was informed on June 28, 2004, that this issuer intends to submit the entire amount of these funds to Sentinel for payment to the bondholders so as to avoid placing this bond issue in default. Assuming that these monies are timely received, the Commissioner would then be able to make the July 1 payment for this bond issue in full without having to use any funds from the pooled fiduciary account.

5. Sentinel Trust also serves as the indenture trustee for Bond # 167 issued by Jackson County, Ohio. This bond issue has a principal payment of \$60,000 and an interest payment of \$173,000 (total payment \$233,000) due July 1, 2004. Similarly, while some funds may still be due, this issuer should have had additional funds on deposit with Sentinel so as to be able to make this July 1 payment in full, but such funds are not available because of the shortfall in the pooled fiduciary account. The Commissioner and/or his staff was also informed on June 28, 2004 that this issuer intends to submit the entire amount of funds to Sentinel for payment to

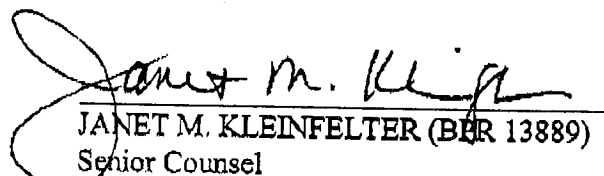
the bondholders. Assuming that these monies are timely received, the Commissioner would then be able to make the July 1 payment for this bond issue in full without having to use any funds from the pooled fiduciary account.

Accordingly, pursuant to Tenn. Code Ann. § 45-2-1504(a)(3), the Commissioner hereby requests this Court's approval to pay the July 1, 2004 payment on these two bond issues as set forth herein, as such payment will not require the use of any of the funds in the pooled fiduciary account.

The Commissioner further respectfully requests that this petition be heard at the Court's regular motion docket in Hohenwald, Lewis County, Tennessee on Wednesday, June 30, 2004.

Respectfully submitted,

PAUL G. SUMMERS  
Attorney General and Reporter

  
JANET M. KLEINFELTER (BER 13889)  
Senior Counsel  
Financial Division  
425 5th Avenue North  
Nashville, TN 37243  
(615) 741-7403